


**PAMOUR PORCUPINE MINES,  
LIMITED**

**ANNUAL REPORT 1971**



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# PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

## DIRECTORS

Edward Futterer (deceased)	-	-	-	-	-	-	-	-	-	-	Toronto
K. C. Gray	-	-	-	-	-	-	-	-	-	-	Toronto
P. D. P. Hamilton	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	Toronto

## OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto and Montreal

ANNUAL MEETING: April 18, 1972 — 2.15 p.m. (Toronto Time) King Edward Sheraton Hotel



## DIRECTORS' REPORT TO THE SHAREHOLDERS

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A dividend of 5¢ per share was paid on June 15, which payment exceeded net earnings for the year by 2.5¢. Dividends paid to date total \$2.20 per share or \$11,000,000.

Early in the year, low gold recoveries in the cyanide section of the mill indicated a serious metallurgical problem which was later associated with increasing tonnages of ore from a large new stope in the lava formation. Recoveries were improved by installation of two additional agitator tanks and were normal in the last months of the year. During the period of difficulty, tailings containing some 3,000 ounces of recoverable gold were impounded for retreatment in 1972.

Termination of operations by Hallnor Mines, Limited, on the property adjoining to the west of Pamour permitted an agreement to be made for purchase of the mine, plant and equipment and for its use, prior to final disposal. This agreement allowed the extension of an exploration drift at the 4300' level across the common boundary, and for salvaging remnants of ore which could be economically treated in the Pamour mill. Some 52,900 tons of ore were produced from that Mine (# 2) and combined with 637,700 tons of ore from # 1 Mine for an average mill head grade of 0.138 oz. and a recovery of 85,100 ounces of gold as compared with 79,800 in 1970.

Revenue from sales of gold to the Canadian Mint was \$1.14 per ounce lower than in 1970 due to the higher value of the Canadian dollar, and together with the recovery problem and lower grade from # 1 Mine, resulted in an operating loss of \$323,600 for the year.

The recent rise in the free market price for gold suggests no advantage in continuing sales at \$35 per ounce to the Canadian Mint to qualify for cost allowance credits under The Emergency Gold Mining Assistance Act, pending confirmation by the U.S. Congress of the expected revaluation of gold to \$38 U.S. Nevertheless, to justify the forward planning and development expenditures necessary to maintain or extend ore reserves for continuing operations, it is vital that the Canadian Government extend the EGMA Act from June 1973 through 1975 as implied in their announcement of August 1970.

A serious loss was suffered in the untimely death of Mr. Edward Futterer, Director, last September. He had made a valuable contribution to the affairs of the Company since his appointment to the Board in October 1968. Mr. L. S. Brooks, former manager, resigned in May to accept another position in the Noranda Group of Companies and was succeeded by Mr. M. J. Slack, formerly assistant to the General Manager. Your Directors wish to record their appreciation of the loyal and able services rendered throughout by the managers, their staff and all employees.

On behalf of the Board,

D. E. G. SCHMITT,  
President.

Toronto, Ontario,  
January 27, 1972.

EARNINGS PER SHARE	1971	1970
Operating Income (loss) before EGMA credit .....	(24.0¢)	( 2.2¢)
EGMA credit .....	17.5	9.5
	( 6.5 )	7.3
Investment Income .....	9.0	10.1
	2.5¢	17.4¢

# STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
INCOME		
From metal production .....	\$3,015,101	\$2,924,078
EXPENSE		
Cost of production .....	4,052,272	2,940,952
Administrative expenses .....	99,328	54,135
Depreciation .....	62,143	41,657
	4,213,743	3,036,744
Less: Recoverable under The Emergency Gold Mining Assistance Act (note 1) .....	875,000	479,458
	3,338,743	2,557,286
OPERATING INCOME (LOSS) .....	(323,642)	366,792
INVESTMENT INCOME		
Dividends from affiliated and associated companies .....	440,522	473,373
Other dividends and interest .....	8,469	24,076
Profit on sale of investments .....	—	8,190
	448,991	505,639
NET INCOME FOR THE YEAR .....	125,349	872,431
RETAINED EARNINGS		
Balance — beginning of year .....	4,909,892	4,812,487
	5,035,241	5,684,918
Less: Adjustment of 1969 income (note 1) .....	—	25,026
	5,035,241	5,659,892
Recovery of prior years' income tax provision .....	33,636	—
	5,068,877	5,659,892
Less: Dividends .....	250,000	750,000
Balance — end of year .....	\$4,818,877	\$4,909,892
Earnings per share .....	2.5¢	17.4¢



# PAMOUR PORCUPINE

(Incorporated under the laws of the Province of Ontario)

## BALANCE SHEET

ASSETS		1971	1970
CURRENT ASSETS			
Cash and short-term deposits .....	\$	12,798	\$ 167,859
Bullion .....		404,843	235,874
Marketable investments — at cost (quoted market value \$137,000) ..		162,328	162,328
Accounts and loans receivable .....		36,540	17,215
Income taxes recoverable .....		4,398	96,403
Receivable under The Emergency Gold Mining Assistance Act .....		337,058	168,063
Stores — at cost .....		470,433	396,953
Prepaid expenses .....		17,390	13,380
		<u>1,445,788</u>	<u>1,258,075</u>
INVESTMENTS — at cost			
Shares and bonds — associated companies (quoted market value \$9,576,972) .....		<u>4,970,638</u>	<u>4,970,638</u>
FIXED ASSETS			
Plant, buildings, equipment and townsite — at cost .....		3,096,951	2,886,686
Accumulated depreciation .....		<u>2,742,164</u>	<u>2,682,348</u>
		354,787	204,338
Mine properties — at cost .....		<u>175,177</u>	<u>175,177</u>
		<u>529,964</u>	<u>379,515</u>
		<u><u>\$6,946,390</u></u>	<u><u>\$6,608,228</u></u>

## AUDITORS' REPORT

We have examined the balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1971 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,  
January 25, 1972.

# MINES, LIMITED

(Incorporated in the Province of Ontario, Canada)

AS AT DECEMBER 31, 1971

	LIABILITIES	
	1971	1970
CURRENT LIABILITIES		
Short-term loan .....	\$ 110,000	\$ —
Accounts payable .....	630,013	310,836
	<u>740,013</u>	<u>310,836</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized, issued and fully paid — 5,000,000 shares of no par value .....	1,387,500	1,387,500
RETAINED EARNINGS .....	4,818,877	4,909,892
	<u>6,206,377</u>	<u>6,297,392</u>
Signed on behalf of the Board:		
D. E. G. SCHMITT, Director.		
W. S. ROW, Director.		
	<u>\$6,946,390</u>	<u>\$6,608,228</u>

## OPINION OF INDEPENDENT ACCOUNTANTS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,  
Chartered Accountants.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
WORKING CAPITAL — BEGINNING OF YEAR .....	\$ 947,200	\$1,162,500
SOURCE OF FUNDS		
Operations —		
Net income for the year .....	125,400	872,400
Depreciation .....	62,100	41,700
Recovery of prior years' income tax provision .....	33,600	—
	<u>221,100</u>	<u>914,100</u>
APPLICATION OF FUNDS		
Purchase of investments .....	—	369,200
Dividends .....	250,000	750,000
Fixed assets — net .....	212,500	10,200
	<u>462,500</u>	<u>1,129,400</u>
NET DECREASE .....	241,400	215,300
WORKING CAPITAL — END OF YEAR .....	<u>\$ 705,800</u>	<u>\$ 947,200</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1971

1. During 1971, the Company records were reviewed by government auditors and amounts recoverable under The Emergency Gold Mining Assistance Act were reduced by \$25,026 for 1969 and \$27,942 for 1970. The comparative figures for 1970 have been restated to reflect these adjustments.
2. The aggregate remuneration paid or payable to the seven directors amounted to \$2,000. Two of the four officers of the Company are directors. No remuneration is paid to officers other than for services as directors.  
Remuneration paid or payable to the five highest paid employees of the Company amounted to \$48,596.
3. On May 1, 1971 the Company acquired the mine, plant, equipment and stores (except townsite buildings, surface rights and certain liabilities including rehabilitation of the tailings storage area) of Hallnor Mines Limited.



## MANAGER'S REPORT

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The following report summarizes operations for the year 1971 at the main or No. 1 Mine and at the No. 2 Mine, which was purchased in May from Hallnor Mines Limited when their operations on the adjoining property were terminated.

### NO. 1 MINE

#### Development

	Feet of Advance		
	1971	1970	To Date
Drifts .....	1,921	1,660	192,001
Crosscuts .....	511	1,845	51,051
Raises .....	—	590	79,785
Stope Preparation .....	6,197	5,710	220,852
	8,629	9,805	543,689

Lateral development consisted of 1,412 feet of exploration in lava formations, 768 feet in greywacke, and 252 feet in conglomerate.

In the east end of the mine 226 feet of this development was in ore averaging 0.16 oz. of gold per ton over drift width. Lateral development for trackless mining totalled 863 feet.

Drifting from the No. 2 Mine to explore a gold bearing vein at the west boundary of No. 1 Mine advanced 27 feet with an average grade of 0.37 oz./ton.

#### Diamond Drilling

Exploratory diamond drilling totalled 35,678 feet in 271 holes. This compares with 31,990 feet in 195 holes in 1970.

Drilling in lava formations accounted for 70% of the total footage. The main portion of this was to detail 46L zone on both 2400 and 2600 levels. The remaining footage was about equally distributed between conglomerate and greywacke. In conglomerate, two mineralized zones totalling 59,000 tons averaging 0.09 oz. were indicated, at the east end of the mine between the 1400' and 2200' levels. In the Three Nations zone some 37,000 tons at 0.10 oz. were outlined in greywacke.

#### Stoping

Stoping was carried on in the east and west sections of the mine with the former accounting for 90% of the total production. Ore mined from lava formations accounted for 48% of the total.

Longhole stopes produced 56% of the ore milled, shrinkage stopes 28%, and narrow-vein mining provided 5%.

The average grade of the ore mined during the past year was slightly lower than the estimated average grade of the ore reserves.

Some 53,100 tons of ore averaging 0.46 oz./ton from car samples were produced from the No. 2 Mine, 71% of which tonnage was from below the 22nd (3500') level.

## ORE RESERVES —

### No. 1 Mine

Proven ore reserves decreased by 27,500 tons while the grade increased slightly. Estimates as of January 1, 1972, including normal dilution allowance were:

	<u>Tons</u>	<u>Gold Oz./Ton</u>	<u>Tons</u>	<u>Gold Oz./Ton</u>
<b>Broken:</b>				
East End .....	344,770	0.097		
West End .....	102,330	0.101	447,100	0.098
<b>In Place:</b>				
East End .....	877,750	0.131		
West End .....	178,510	0.186	1,056,260	0.140
<b>Sub-Totals:</b>				
East Ore .....	1,222,520	0.121		
West Ore .....	280,840	0.155	1,503,360	0.128

No. 2 Mine	Below Surface (feet)			
Above 8th Level	0-1400	10,930	0.17	
18th-22nd Level	2750-3350	3,130	0.25	
22nd-31st Level	3350-4750	40,590	0.37	
<b>Sub-Total:</b>		54,650	0.33	
Combined Proven Reserves			54,650	0.33
			1,558,010	0.135

## MILL —

### No. 1 and No. 2 Mines

	<u>1971</u>	<u>1970 (No. 1)</u>
Tons milled .....	690,550	633,665
Tons milled per calendar day .....	1,892	1,736
Average gold content — oz./ton .....	0.138	0.133
Average tailings — oz./ton .....	0.015	0.007
Total recovery % .....	89.1	94.6
Gold production — ounces .....	85,100	79,799
Value of Production .....	\$3,015,100	\$2,924,078

Excessive pyrrhotite content of mill feed from trackless mining areas adversely affected gold recovery but the problem was solved by the fourth quarter of the year. Re-treatment of the tailings, which were impounded during the period of low recovery, should yield a further 3,000 ounces of gold.

## GENERAL

There were 417 employees at the year-end compared to 330 in 1970. Of this total, some 15 staff people were involved in the organization for operations at three mines in the area. Seventy-seven men are employed at the No. 2 Mine.

Integration of the operating organizations for the Aunor, Hallnor and Pamour mines under the direction of one manager has achieved the efficient use of human and physical resources from which all operations benefitted. The technical and professional services made available has resulted in positive programs in answer to the many problems encountered.

I wish to record my appreciation of the high level of participation by Department Heads and all employees in the past year.

Pamour, Ontario,  
January 27, 1972.

J. M. SLACK,  
Manager.



